GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:324
ANSWERED ON:03.02.2017
E-Payments in Government Offices
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Will the Minister of FINANCE be pleased to state:

(a). Whether the Government has asked its departments/offices of public sector firms and autonomous bodies to encourage their employees to use e-payments/debit cards for personal transactions to boost digital payment economy and if so, the details thereof;

(b)Whether the Government has instructed its departments/offices to stop cash payments to vendors and contractors for amounts above Rs.5000 and if so, the details thereof;

(c) Whether the Government has asked banks to promote digital banking in mission mode to boost digital economy and if so, the details thereof; and

(d).The steps taken/being taken by Government to promote e-payment in this regard?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE
(SHRI ARJUN RAM MEGHWAL)

(a). Yes, the Department of Expenditure has issued an advisory to all Ministries/Departments to encourage its employees to make use of Debit Cards for personal transactions instead of cash vide OM No. 25 (30)/E.Coord/2016 dated 1st December 2016. Given the progress made in banking technology, it is assumed that each employee would be in possession of a Debit/ATM card linked to his/her bank account. Ensuring and encouraging government employees to maximise the usage of Debit cards for personal related transactions instead of cash would go a long way serving with the employees serving as 'ambassadors' for the digital push and also motivate, encourage the general public in taking up the cause. All Ministries/Departments have been requested to encourage their employees to make use of Debit Cards for personal related transactions instead of cash. Ministries/Departments should liaise with their accredited banks and set up special camps to facilitate obtaining of and ensure that all its employees are in possession of Debit Cards. Ministries/Departments may also issue similar advisories to their attached/subordinate offices, PSUs, Autonomous Bodies etc.

(b). Yes, the Controller General of Accounts, Department of Expenditure has issued instructions to all Ministries/Departments vide OM. No. 3 (2) (1)/2016/ R&P Rules/Amendments/649 dated 5th December 2016. Rs. 10, 000/- was the earlier threshold limit beyond which all payments to suppliers, contractors etc.were made through e-payment mode. In order to attain the goal of complete digitization of Government payments the existing limit of Rs. 10, 000/- has been lowered to Rs. 5,000/- beyond which all Ministries/Departments shall make payment to suppliers, contractors etc. through e-payment mode only.
(c) & (d): The steps initiated by the Government to encourage digital banking in mission mode and the other measures taken to promote e-payment is provided in Annexure − I.

ANNEXURE - I
Incentives to promote digital transactions:
To further accelerate the process of cashless transaction, the Central Government has decided on a package of incentives and measures for promotion of digital and cashless economy in the country. These include:

(A) Petroleum:
Nearly 4.5 crore customers buy petrol or diesel at such petrol pumps per day. It is estimated that petrol/diesel worth Rs.1800 crore is sold per day to the customers, out of which nearly 20% was being paid through digital means. In the month of November 2016 it has increased to 40% and the cash transaction of Rs. 360 crore per day have got shifted to cashless transaction methods.
Incentive on digital payment:
o The Central Government petroleum PSUs shall give incentive by offering a discount rate of 0.75% of the sale price to consumers on purchase of petrol/diesel, if payment is made through digital means.
o The incentive scheme has the potential of shifting at least 30% more customer to digital means which will further reduce the cash requirement of nearly Rs. 2 Lakh crore per year at the petrol pumps.
(B). Expand digital payment infrastructure in rural areas:
i. To expand digital payment infrastructure in rural areas, the Central Government through NABARD will extend financial support to eligible banks for deployment of 2 POS devices each in 1 Lakh villages with population of less than 10,000. These POS machines are intended to be deployed at primary cooperative societies/milk societies/agricultural input dealers to facilitate agri-related transactions through digital means. This will benefit farmers of 1 Lakh villages covering a total population of nearly 75 crore who will have facility to transact cashlessly in their village for their agri needs.
ii. The Central Government through NABARD will also support Rural regional Banks and Cooperative Banks to issue 'RuPay Kisan Cards' to 4.32 crore Kisan Card holders to enable them to make digital transactions at POS machines/Micro ATMs/ATMs.
(C). Railways:
i. Seasonal or Monthly Tickets: Nearly 80 Lakh passengers use seasonal or monthly ticket on suburban railways, largely in cash spending nearly Rs. 2,000 crore per year. As more and more passengers shift to digital means, the cash requirement may get reduced by Rs.1, 000 crore per year in near future.
Incentive on digital payment:
Railways through its suburban railway network shall provide incentive by way of discount upto 0.5% to customers for monthly or seasonal tickets from January 2017, if payment is made through digital means.
ii. Free Accidental Insurance: Nearly 14 Lakh railway passengers are buying tickets everyday, out of which 58% tickets are bought online through digital means. It is expected that another 20% passengers may shift to digital payment methods of buying railway tickets.
Incentive on digital payment:
All railway passengers buying online ticket shall be given free accidental insurance cover upto Rs. 10 Lakh. Nearly 11 Lakh passengers per day will be covered under the accidental insurance scheme.
iii. Paid Services: For paid services e.g. catering, accommodation, retiring rooms etc. being offered by railways through its affiliated entities/corporations to passengers, it will provide a discount of 5% for payment of these services through digital means. All the passengers travelling on railways availing these services may avail the benefit.

(D). General Insurance Policies:
Incentive on digital payment:
Public Sector Insurance Companies will provide incentive by way of discount or credit upto 10% of the premium in general insurance policies and 8% in new life policies of Life Insurance Corporation sold through the customer portals, in case payment is made through digital means.

(E). MDR Charges
The Central Government Departments and Central Public Sector Undertakings will ensure that transaction fee/MDR charges associated with payment through digital means shall not be passed on to the consumers and all such expenses shall be borne by them. State Governments are being advised that the State Governments and its organizations should also consider to absorb the transaction fee/MDR charges related to digital payment to them and consumer should not be asked to bear it.

(F). Ceiling on monthly rental for POS
i. Public Sector banks are being advised that merchant should not be required to pay more than Rs. 100 per month as monthly rental for POS terminals/Micro ATMs/mobile POS from the merchants to bring small merchants on board the digital payment ecosystem.
ii. Neary 6.5 Lakh machines by Public Sector banks have been issued to merchants who will be benefitted by the lower rentals and promote digital transactions. With lower rentals, more merchants will install such machines and promote digital transactions.

(G). Waiver of Service Tax
No Service Tax will be charged on digital transaction charges/MDR for transactions upto Rs. 2000 per transaction.

(H). Digital Payment Incentives for Toll payments
For the payment of toll at Toll Plazas on National Highways using RFID card/Fast Tags, a discount of 10% will be available to users in year 2016-17.
Major initiatives taken for promoting digital/cashless payments so far include the following:
(A). Rationalizing MDR/Transaction Fees:
i. To encourage digital payments by citizens, Government departments have been advised to absorb transaction fees/MDR associated with such transactions to ensure that no extra burden is put on those choosing to make payments by cashless means.
ii. For purchase of fuel and petroleum products, consumers are not required to pay any transaction charge/fee for payment using Debit Card/digital means at CPSU fuel stations.
iii. Discoms and State Governments have been persuaded to facilitate payment of electricity charges by consumers through digital means without any convenience fee/charge to consumers.
iv. Merchant Discount Rate on Debit Card has been waived till 31/12/2016 in public interest. This is expected to encourage small merchants to deploy infrastructure (POS terminals) to accept digital payments.
v. Customers are not required to pay Service Charges on purchase of railway tickets through cards at railway ticketing counters for a limited period.
(B). Strengthening Acceptance Infrastructure:

i. Digital payments being accepted by over 70 Central Government departments through various electronic modes viz., netbanking, debit/credit cards, prepaid cards, Interbank Mobile Payment Service (IMPS) recording more than 1.4 crore transactions worth Rs. 3250 crores.
ii. Mobile Banking through interoperable ATMs has been launched; 81,000 ATMs of 12 Banks are already live and another 15,000 machines are expected to go live shortly.
iii. All major 45 archaeological sites having maximum footfalls/tourists have started accepting digital payments covering more than 80% of the visitors.
iv. To popularise digital payments, the acceptance infrastructure is substantially expanded by increasing deployment of POS/mobile POS machines from 14 Lakh to 25 Lakh by March 2017. A separate Task Force is closely monitoring the progress in this regard.
v. To expedite card less and pin less banking RBI has notified mandatory Aadhar Enablement of all new Point of Sale terminals.
vi. 5.5 Lakh Fair Price Shops are being equipped with micro-ATMs/POS for undertaking digital payment transactions.
vii. Electronic Toll collection system has been implemented in all Toll Plazas along with the facility to pay by credit/debit/prepaid cards. It shall be expanded to cover more lanes and wider network for distribution of Tags.
viii. For the benefit of commuters, standardized interoperable National Common Mobility card is being developed.
ix. 1000 ATMs installed in Post Offices have been permitted to be interoperable with the banks.
x. State Mission Directors of 33 identified smart cities have been issued advisories to provide for adequate deployment of digital payment infrastructure while designing smart cities.
(C). Digital Payments in Govt. Departments:
i. To enable all Central Government Departments to accept digital payments without passing associated charges to citizens a separate head of expenditure has been approved.
ii. A Non-Tax Receipt Portal (bharatkosh.gov.in) has been created to enable users/citizens to make non-tax payments for as many as 237 categories of payments such as spectrum charges, RTI application fee, purchase of forms and magazines etc. online without going to banks or Government Offices.
iii. All Government organizations, Public Sector Undertakings, Authorities have been advised to review rules and regulations to support digital payments, adopt cashless payment solutions and activate payment facility through the pay.gov platform if they do not have such facility.
iv. Salary disbursal in all Central Government departments is being done through PFMS and the platform is also used for disbursal of other funds/payments.
(D). Rationalization of USSD charges
To enable mobile banking on feature phones, USSD charges have been rationalized and reduced from Rs. 1.50 per SMS to Rs. 0.50; an application for mobile phone payments (*99#) in four languages has been developed and the service providers have completely waived the charges for limited time.

(E). Rolling out of UPI
To facilitate mobile banking on smart phones, NPCI has rolled out Unified Payment Interface (UPI) application and 27 banks have already released the application to their customers.

(F). Strengthening Business Correspondents Network
i. More than 1,10,000 Business Correspondents (BCs) have been engaged by the Banks and Corporates in the country. These BCs are providing services at the door steps of the people in rural as well as in remote areas.
ii. In a major fillip to rural banking 1,25,000 Gramin Dak Sewaks of Post Offices to work as Business Correspondents of Banks.
iii. All geographical areas across the country have been mapped with Banks/Bank Mitras and dark/grey spots identified. Possibility of providing connectivity through VSAT and other means is being explored on priority.
iv. For ease of Direct Benefit Transfer (DBT), long pending issue of incentive compatible payments to Business Correspondents settled.
Besides above, the Hon'ble Prime Minister has also announced certain incentives on 31st December 2016. The proposals have also been announced in the Union Budget by the Hon'ble Finance Minister.